



The President's Daily Brief

January 11, 1974



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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

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PRINCIPAL DEVELOPMENTS

The British are negotiating with Saudi Arabia for a long-term supply of crude oil. (Page 1)

Korean President Park will propose a nonaggression agreement with North Korea in his coming New Year's press conference in an effort to regain the initiative in the North-South dialogue. On the domestic front, South Korean opposition groups seem determined to continue pressing for government liberalization. (Page 2)

In Cambodia, government forces have blunted the initial Khmer Communist drive against the northwestern defenses of Phnom Penh. (Page 3)

China

25X1

Laos. (Page 4)

At the North Atlantic Council meeting of January 9, the major European allies restated their opposition to participating in any multilateral scheme to reduce the costs to the US of stationing forces in Europe. (Page 5)

25X1

(Page 6)

25X1

Notes on a delay in South Vietnam's planned operation in Pleiku Province and on Tokyo's discouragement of capital outflow appear on Page 6.

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UK - SAUDI ARABIA

A high Foreign Office official has confirmed that the British are negotiating with Saudi Arabia for a long-term supply of crude oil.

He would not reveal the magnitude of the deal under discussion, but the US Embassy suggests that Britain probably will receive at least 200,000 bpd, or about 10 percent of its current consumption. The official contended that the negotiations were at Saudi rather than British initiative. The British, who are exploring various ways to meet their long-term oil needs, are ready, as the official put it, to "play in every game going." They will attend the Washington conference on February 11, and if OPEC asks for a meeting with oil consumers in the near future, they will accept, according to the Foreign Office official.

The British are less concerned about the effects on other oil-consuming countries of deals they may make than they are about the penalty at home of missed opportunities.

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KOREA

President Pak Chong-hui will propose a non-aggression agreement with North Korea in his coming New Year's press conference in the hope of regaining the initiative in the North-South dialogue. Under consideration for some months, Pak's proposal would commit both sides to:

- refrain from the use of force;
- adhere to a policy of noninterference in the internal affairs of the other; and
- respect the 1953 armistice agreement.

Pak has timed his offer to take advantage of a meeting of the vice-chairmen of the Coordinating Committee scheduled at Panmunjom this month.

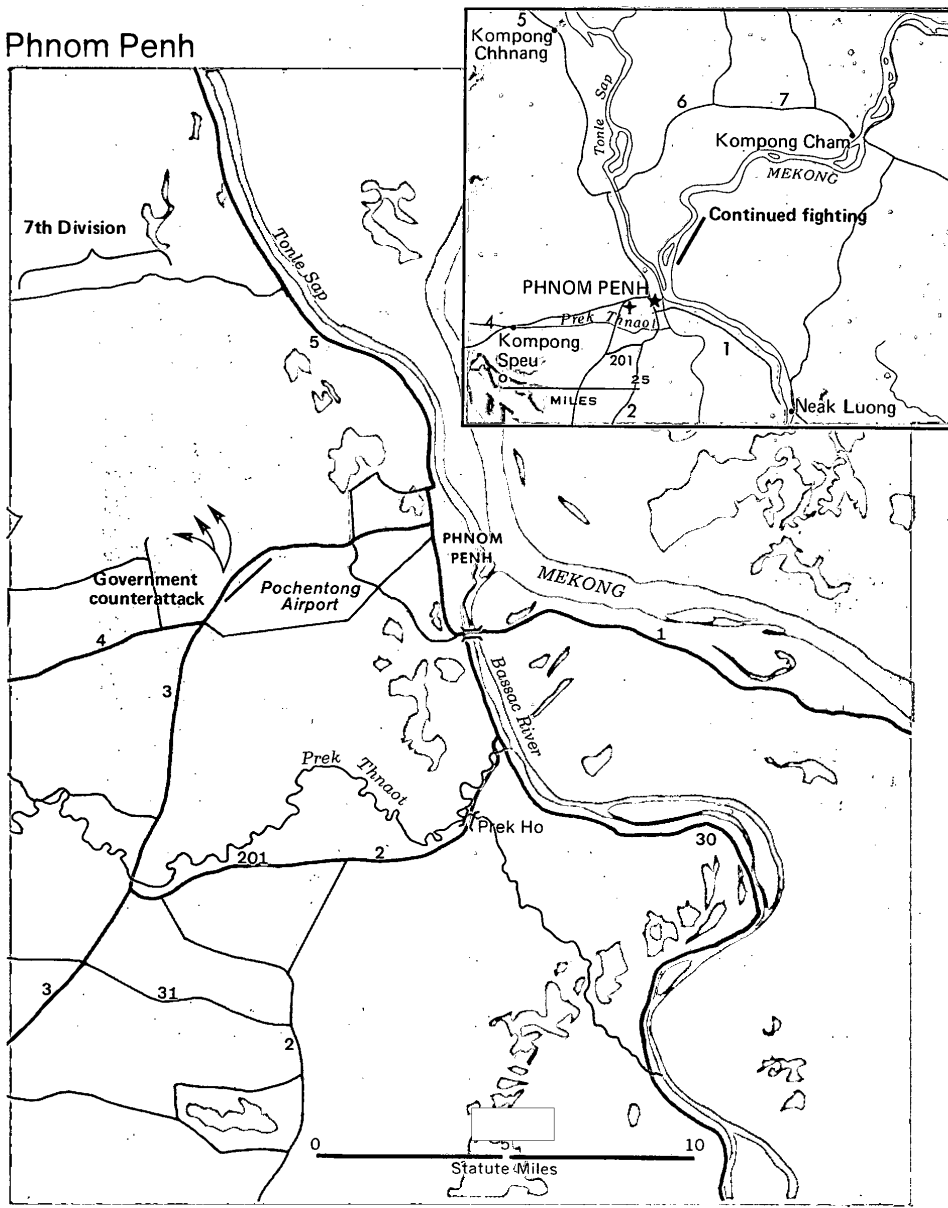
The proposal is similar in language to the joint North-South communique of July 4, 1972, and the North most probably will see it as offering no significant modification of Seoul's position. Pyongyang does not want a breakthrough in the stalled negotiations at this time; this would only ease Pak's current domestic burdens. The North Koreans may be intrigued, however, by the offer because it could open the door to discussion of issues Pyongyang has been advocating--a North-South peace treaty, the withdrawal of US forces from Korea, termination of the UN Command, and various forms of mutual force reduction in the peninsula. In any case, Pyongyang is likely to react cautiously, playing down Pak's proposal initially and taking time to seek clarification and amplification.

* * *

On the South Korean domestic front, opposition groups seem determined to continue pressing for government liberalization, despite the tough measures announced this week by President Pak against such agitation. Leaders of the New Democratic Party intend to challenge Pak's move on legal grounds, and efforts to collect a million signatures on a petition for reform reportedly will continue. The protesters run a high risk of arrest and imprisonment.

The government is trying both to tighten control and to put the best face on the situation. It is suppressing press coverage of the few arrests made thus far and has begun extensive surveillance of its critics. Government spokesmen are stressing that the new restrictions will apply to a very small "radical antigovernment" element.

Phnom Penh



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CAMBODIA

Government forces have blunted the initial Khmer Communist drive against the northwestern defenses of Phnom Penh. Armor and infantry units are now taking the fight to insurgent units three to five miles northwest of the capital's airport, as the army's 1st Division has joined the counterattack. The airport is open despite occasional shelling; Phnom Penh itself continues to be hit by sporadic rocket fire.

With the government concentrating on defense of the city, the Communists are focusing new efforts against units of the 7th Division strung out along a secondary road west of Route 5. Elements of this division have been cut off for several days. A high-ranking Communist defector recently claimed that defeat of the 7th Division, perhaps the army's best, was a major insurgent objective.

Action is lighter on other fronts around the capital, although steady Communist shellings on the Mekong River's east bank are pinning down government troops in riverside villages just upstream from Phnom Penh.

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The isolated provincial capital of Takeo is under increasingly heavy insurgent pressure, and the government is planning to send in reinforcements.

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CHINA-LAOS



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Prime Minister Souvanna Phouma said last week that he expected Peking to transfer to Lao control much of the road network upon formation of a coalition government. Chinese diplomats have long hinted that the status of the road operation in northern Laos--including relinquishing some portions to Lao control--might change once a coalition was firmly established.

This projected move appears to serve several Chinese interests:

--it may enhance China's position with the Lao Communists relative to that of North Vietnam and strengthen the Pathet Lao in their negotiations with Vientiane; and

--it underscores Peking's intent to reduce its presence in northern Laos in compliance with the Lao cease-fire agreements and signifies support for a coalition government.

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NATO

At the North Atlantic Council meeting on January 9, the major European allies restated their opposition to participating in any multilateral scheme to reduce the costs to the US of stationing forces in Europe.

--The West Germans have long maintained that they contribute enough toward easing the US burden through their bilateral offset agreement with Washington.

--The British argue that they have an even greater balance-of-payments problem than the US.

--France refuses to consider burden-sharing proposals, on the ground that it is not a member of the NATO integrated military command.

There are signs that the allies see in current economic trends additional reason to resist US proposals. An Italian official, for example, has taken the line that the recent improvement in the overall US balance-of-payments position and the fuel crisis have altered the basic premises on which the US proposals were based. Even NATO Secretary General Luns suggested during the Council meeting that multilateral burden-sharing negotiations may be overtaken by economic events.

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NOTES

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Arab States

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South Vietnam: The government operation to retake a border outpost in Pleiku Province, which was to start on January 9, has been delayed by difficulties in coordinating air support and making changes in unit assignments. Heavy air strikes are scheduled for today and the ground assault, involving elements of two South Vietnamese regiments, for January 14. Reconnaissance patrols report that the outpost is lightly defended. Five North Vietnamese battalions are located farther west, however. The regional commander, General Toan, has decided for the time being to move only one regiment from Quang Duc Province to serve as a reserve, because the North Vietnamese Army threat in Quang Duc remains strong.

Japan: Tokyo is discouraging capital outflows to prevent foreign exchange reserves--which at the end of 1973 were down to \$12.2 billion--from dropping below \$10 billion. Government permission will be required for purchases of US short-term treasury bills by private individuals, and Japanese security companies are being admonished not to increase holdings of foreign stocks and bonds. Tokyo hopes to avoid broader formal sanctions that would openly conflict with earlier capital liberalization programs. Japanese purchases of foreign securities totaled about \$1.7 billion in 1973.

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